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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002281

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SUBJECT: TSAI YING-WEN ON STATUS AND PROSPECTS FOR
CROSS-STRAIT RELATIONS

REF: TAIPEI 2213

Classified By: AIT Director Douglas H. Paal, Reason 1.4 b

1. (C) Former Mainland Affairs Council (MAC) Chairwoman Tsai Ying-wen told the AIT Deputy Director that Taiwan-PRC relations are once again back where they were before the PRC Anti-Secession Law derailed earlier progress. President Chen's harsh criticisms of Pan-Blue opposition leaders over the past week, however, complicate achieving cross-Straits consensus in Taiwan. If the efforts at inter-party reconciliation undertaken by Premier Frank Hsieh in early 2005 can be restarted, Tsai said, and there is a change of KMT leadership in July, there could be progress on cross-Straits relations before the December election campaign starts. End Summary.

2. (C) Following up on her statements at a small cross-Straits conference in Taipei on May 16 (reported refel), former MAC Chairwoman and current Democratic Progressive Party (DPP) legislator Tsai Ying-wen discussed the cross-Straits situation and the ruling DPP with the Deputy Director on May 19. Tsai, who describes herself as a moderate working to "educate" her DPP colleagues on cross-Straits issues in a more pragmatic, vice ideological, direction, said she is cautiously optimistic on the prospects for both party reconciliation and cross-Straits cooperation.

Early Steps Derailed

3. (C) Tsai told the Deputy Director that in January, following the ruling DPP's poor showing in the December Legislative Yuan (LY) election, Taipei authorities took a more pragmatic approach to cross-Straits relations and the call for Lunar New Year charter flights with Mainland China. The resulting January 13 Lunar New Year charter flight agreement, she said, was made possible by a "major concession" by Taiwan -- acquiescence to Beijing's demand that no Taiwan MAC or Straits Exchange Foundation (SEF) officials participate in the charter flight negotiations, which occurred in Macao. (NOTE: Officials from the Taiwan Ministry of Transportation and Communications were allowed to participate. END NOTE) During the 2002 negotiations in Hong Kong under her tenure as Chairperson, Tsai explained, Taiwan MAC and SEF officials not only participated in, but actually led, the negotiations for charter flights in 2003.

4. (C) The positive atmosphere generated by the Lunar New Year charter flights this year, Tsai said, set the stage and created expectations for further expansion of cross-Straits exchanges. Passage of the PRC Anti-Secession Law on March 14, however, derailed this process and brought cross-Straits relations to a standstill. While most people had anticipated that the fallout from that law would last at least a few months, Tsai said, the back-to-back Mainland China visits of KMT Chairman Lien Chan and PFP Chairman James Sung in late April-early May had changed Taiwan's political focus. They had essentially made the ASL & yesterday's news.8 These visits, she explained, were a direct political challenge to Chen's leadership and stimulated internal challenges within the DPP that Chen had to counter via public attacks on Lien and Soong. Nonetheless they led to a much quicker return to discussion of next steps in the cross-Straits relations.

Recovering Momentum

5. (C) After the May 14 National Assembly election and the DPP's marginal victory, Tsai said, Chen moved to reassert his shaken control of the DPP and beat back fundamentalist opposition. On May 18, Chen held the first of a series of meetings with small groups of DPP legislators, urging them to fall back into line with the party's "reconciliation" policy on both inter-party cooperation and cross-Straits issues. Tsai, who noted with some relief that she had been traveling

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and therefore unable to attend this first meeting, stated that Chen had called on the legislators to "trust the President" and his leadership. She noted, however, that Chen is also using PRC blockage of Taiwan cooperation with WHO, both observership and access to International Health

Regulations (IHR), to criticize the Lien and Soong trips in order to reinforce his own DPP leadership.

16. (C) Tsai told AIT that the current situation probably requires a "cooling off period" before the earlier cross-Strait momentum can be restarted. She noted that the upcoming change in the KMT Chairmanship could also facilitate KMT cooperation with the DPP by enabling the two parties to improve communication and work together again (COMMENT: presumably because the deeply embittered Lien, who claims he was twice "cheated" out of presidential elections, will step down. END COMMENT). She said that she anticipates Taiwan will be prepared to return to the concession it made earlier this year to enable the Lunar New Year charter flights. This would allow arrangements for additional passenger charters to be negotiated by ostensibly private delegations that include a government representative. If that arrangement is successful, it could also be applied to cargo charters, tour groups from the PRC and Taiwan agricultural exports to China.

Comment: "Window of Opportunity" or "Breathing Space"?

17. (C) The U.S. (Cornell Law School) and British-trained Tsai is an important observer of cross-Strait issues because

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of her four years (2001-2004) as MAC Chairperson. However, over the past week she has offered diametrically opposed prescriptions for a way forward on cross-Strait relations. She told the May 16 cross-Strait conference (reftel) that there is only a limited window for progress on cross-Strait relations before both Chen Shui-bian and Hu Jin-tao are hemmed in by their respective hardliners. With the Deputy Director, however, she was not optimistic for the short term and focused on longer term prospects for inter-party dialogue in Taiwan leading to cross-Strait negotiation and reduction of tensions. This revised assessment probably reflects the harder line that President Chen has taken publicly this week toward the Lien and Soong visits in the wake of Taiwan's WHA rejection, as well as Tsai's firsthand involvement in the May 18 DPP legislators' meeting with Chen. Her altered assessment likely mirrors the highly fluid state of Taiwan politics, of the cross-Strait issue, and even of the Defense Procurement Special Budget -- all of which are in limbo and will require the kind of constructive leadership rarely seen in highly politicized Taipei to move forward.
PAAL